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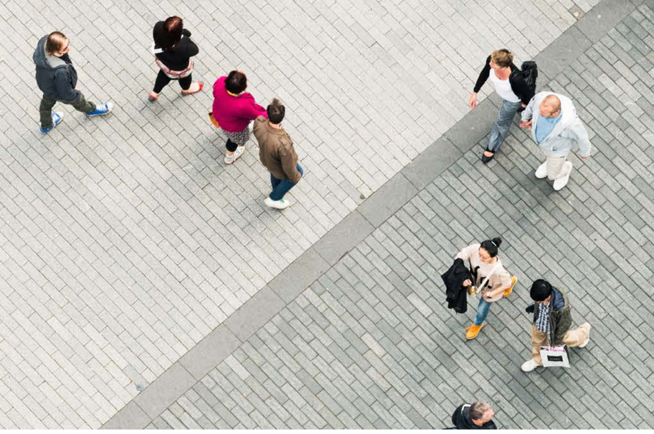


Corporate reputation risk – are your clients protected?

Co-produced by Lloyd's and KPMG

Global corporate reputation is valued in the trillions of US dollars. How can you help your clients manage their reputation and protect against the significant potential losses a crisis could generate?

What is reputation?

Reputation is not the same as 'identity' or 'brand'. Rather than looking at "who your organisation is", reputation looks at "what others actually see you as." Reputation is the sum of both character (how the business acts) and capability (its products and services). And reputation is now playing a greater role on balance sheets as stakeholder value replaces traditional shareholder value for businesses of all types.

When was the last time you asked your clients to consider what their business reputation really is?

Is your client overly positive about their business reputation?

Most businesses are not doing enough to mitigate reputation risks, partially due to overconfidence.

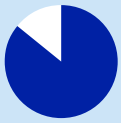
- 58% of executives believe that online reputation management should be addressed but only 15% actually do anything about it.
- 76% of companies believe their reputation is better than average – a stat that just might illustrate many companies are overly optimistic about the state of affairs regarding their online presence.

Why is your client's business reputation important?

Reputation can be a key driver (or a destroyer) of value.

>25% of company market value is directly attributable to reputation.*

* According to a study by the World Economic Forum



86% of people would pay more for services from a company with higher ratings and reviews.

5-9% increase in revenue for every star increase in an online review.

41% of companies experiencing a negative reputation event reported loss of brand value and revenue.

69% of jobseekers would turn down an offer from a company with reputation problems.

Conversation starters

Losses can be significant if businesses aren't managing their reputation risk, so here are some real-life examples to start this conversation with your clients:

#MeToo movement

- A Hotel operator lost $3.5bn in market value following sexual harassment allegations about the owner.
- A film studio was forced to sell its assets in the aftermath of the Harvey Weinstein scandal.
- Stream. media loss of $39m from cutting ties with a celebrity actor.

Smartphone producer loses billions

In 2016, a leading electronics producer announced a recall of their smartphone after reports of battery overheating that can result in fires. After replacing the affected phones, reports of overheating continued, resulting in another recall and ceasing production.

The total lost revenue was estimated at c.$17bn.

Global fast food chain manages delivery incident well

A global fast food chain was forced to close hundreds of stores in February 2018 after delivery delays meant that there was a shortage of chicken in stores throughout the UK and Ireland.

The company was praised for their transparent and swift response after a series of ads; dedicated website page for order status; and answering questions on Twitter daily.

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How you can help

Currently, there are a range of reputational risk insurance solutions on the market that can help your clients protect against reputational losses.

The existing solutions can broadly be grouped into:

- **Solutions which focus on covering the cost of crisis responses or lost revenues / profits**
- **Those which also offer an element of support and assistance during a crisis**

Reputational risk insurance solutions are still relatively new in the market, but a range of market players are enhancing the existing offering. Brokers and insurers have a unique opportunity to become true end-to-end risk management partners, moving well beyond traditional risk indemnity and the usual crisis management support.

Best practice for managing reputation risk

In addition to insurance opportunities, you should be talking to your clients about 5 actions they can take to achieve better reputational management:

1. **Proactive signal sensing -** reputational damage often occurs when businesses fail to 'update' their behaviours, following changing social norms and beliefs. Proactive horizon scanning and willingness to adapt quickly will often be key.
2. **Build resilience -** in most cases reputational damage occurs due to insufficient resilience in another areas (e.g. major fire incident or a cyber breach). Building resilience across the whole organisation, involving CROs, COOs, HR, and other functions will be crucial to prevent reputational risks.
3. **Create a culture of responsibility -** addressing reputational risk purely through the Risk Management function will be almost impossible as reputational damage can arise from any vulnerabilities across the whole business. Having 'reputational risk champions' across various functional areas could significantly reduce the exposure to risk.
4. **Train at all levels -** reputational damage can be caused by a single employee saying or doing the wrong thing in the wrong moment. Regular training through 'real life scenarios' at all levels can significantly minimise the likelihood of such events.
5. **Mind the business model -** various stakeholders will usually have different views of the organisation and depending on the business model, reputation with a particular stakeholder group will be a more (or less) important driver of their corporate success. Make sure your clients understand how each stakeholder group influences their business success.

Next steps

To learn more about reputation risk, including real life examples of good reputation management, download the full **Safeguarding Reputation report**

To learn more about how Lloyd's can help, contact your local **Lloyd's representative**